

MONTEZUMA COMMUNITY SCHOOL DISTRICT

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2014

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**Montezuma Community School District
Board of Education and School District Officials
Year Ended June 30, 2014**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2013 Election)		
Pete Ross	President	2015
Doug Johnston	Vice President	2015
Steve Audas	Board Member	2013
Vince Johnson	Board Member	2013
Stacie Cameron	Board Member	2015
(After September 2013 Election)		
Pete Ross	President	2015
Doug Johnston	Vice President	2015
Jason Meyer	Board Member	2017
Vince Johnson	Board Member	2017
Stacie Cameron	Board Member	2015
School District Officials		
Dave VerSteeg	Superintendent	2014
Anita Sietstra	Board Secretary/Treasurer	2014
Ahlers & Cooney	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Montezuma Community School District
Montezuma, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Montezuma Community School District, Montezuma, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the Montezuma Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 11 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ending June 30, 2012, and we have audited the financial statements for the one year ending June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 17, 2014, on our consideration of the Montezuma Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montezuma Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 17, 2014

Montezuma Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

General Fund revenues decreased from \$5,240,451 in fiscal year 2013 to \$5,161,645 in fiscal year 2014, while General Fund expenditures increased from \$5,273,374 in fiscal year 2013 to \$5,611,090 in fiscal year 2013. The District's General Fund balance decreased from \$1,305,135 at the end of fiscal year 2013 to \$855,689 at the end of fiscal year 2014.

The fiscal year 2014 General Fund revenue decrease was attributable to decreases in local and other sources. The increase in expenditures was due primarily to an increase in instruction costs and asbestos removal costs.

The District continues to support professional development for implementation of the Iowa Core Curriculum, overall increased student achievement with special emphasis on reading, math and science, and teacher leadership through professional learning communities. The District goals continue to focus on all students graduating from high school, all students meeting end-of-year grade proficiencies in reading, math and science and providing a modern and secure facility.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund, and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust (scholarships) and Agency Funds.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

	Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-2014	
Current and other assets	\$ 8,089	13,977	22	33	8,111	14,010	-42.1%	
Capital assets	8,279	2,901	51	62	8,330	2,963	181.1%	
Total assets	16,368	16,878	73	95	16,441	16,973	-3.1%	
Long-term liabilities	8,520	8,930	3	4	8,523	8,934	-4.6%	
Other liabilities	1,029	3,679	46	15	1,075	3,694	-70.9%	
Total liabilities	9,549	12,609	49	19	9,598	12,628	-24.0%	
Deferred inflows of resources	3,028	-	-	-	3,028	-	-	
Net Position:								
Invested in capital assets, net of related debt	2,077	2,371	51	62	2,128	2,433	-12.5%	
Restricted	1,021	1,134	-	-	1,021	1,134	-10.0%	
Unrestricted	693	764	(27)	13	666	777	-14.3%	
Total Net Position	\$ 3,791	4,269	24	75	3,815	4,344	-12.2%	

Financial Analysis of the District as a Whole

The District has a solvency ratio of 23.5% which is nearly the same as FY13. Experts recommend a solvency ratio between 5-15 percent, but also say that smaller schools may benefit from a higher solvency rate given the greater vulnerability of smaller budgets to finance shortfalls. Other financial indicators include a 23.5% unspent authorized balance, unreserved/undesignated/unrestricted fund balance of 22.4% of general fund expenditures, and 80% staff expense as a percentage of the general fund expenditures.

**Montezuma Community School District
Management's Discussion and Analysis
June 30, 2014**

Figure A-2 shows the change in net assets for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30,		Year ended June 30,		Year ended June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Revenues:							
Program revenues:							
Charges for service	\$ 378	521	164	162	542	683	-20.6%
Operating grants, contributions and restricted interest	1,151	949	120	127	1,271	1,076	18.1%
General revenues:							
Property tax	3,020	2,954	-	-	3,020	2,954	2.2%
Statewide sales, service and use tax	462	397	-	-	462	397	16.4%
Unrestricted state grants	1,410	1,660	-	-	1,410	1,660	-15.1%
Unrestricted investment earnings	34	11	-	-	34	11	209.1%
Other	99	188	-	-	99	188	-47.3%
Total revenues	6,554	6,680	284	289	6,838	6,969	-1.9%
Program expenses:							
Governmental activities:							
Instruction	4,291	4,246	-	-	4,291	4,246	1.1%
Support services	1,704	1,528	-	-	1,704	1,528	11.5%
Non-instructional programs	-	-	334	318	334	318	5.0%
Other expenses	1,041	490	-	-	1,041	490	112.4%
Total expenses	7,036	6,264	334	318	7,370	6,582	12.0%
Change in Net Position	\$ (482)	416	(50)	(29)	(532)	387	-237.5%

In the 2013-14 school year:

Property tax revenues were levied to begin a \$7.29 million infrastructure remodeling project including HVAC, electrical and plumbing. Construction began June 2013 with expected completion August 2014.

The District used the Physical Plant and Equipment Levy (PEEL) Fund for computer & iPad purchases. The District is not a 1:1 district, but the number of computers in the building gives the ability to have an electronic device available for every student during the school day, if needed. Additional PEEL funds were used to purchase Mimio teaching boards and projectors, completing our goal in providing one for every teacher. Money will continue to be budgeted for technology expenses for years to come.

Sales tax revenues were used to purchase new gymnasium bleachers, football grandstands, and concrete work in various areas of the school property.

**Montezuma Community School District
Management's Discussion and Analysis
June 30, 2014**

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-3 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services		Change	Net Cost of Services		Change
	2014	2013	2013-2014	2014	2013	2013-2014
Instruction	\$ 4,291	4,246	1.1%	\$ 2,975	2,984	-0.3%
Support services	1,704	1,528	11.5%	1,704	1,526	11.7%
Other expenses	1,040	490	112.2%	827	284	191.2%
Totals	\$ 7,035	6,264	12.3%	\$ 5,506	4,794	14.9%

The cost of all governmental activities this year was \$7,035,000. The increase of \$771,000 was due to increased costs in the instruction and other expense functions which is attributed to increased employee salaries and benefits and due to construction costs. In addition, the district paid \$175,923.80 in asbestos removal from the General Fund. The district's request to the SBRC for \$175,923.80 in MAG beginning in FY 2015 was approved.

The net portion of the governmental activities was financed with \$3,483,000 in property and sales tax and \$1,410,000 in state sources.

Business-type Activities

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities were \$283,544. Expenses were \$333,999.

Financial Analysis of the District Funds

As previously noted, the Montezuma Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The District's General Fund balance changed from \$1,305,134 in fiscal 2013 to \$855,689 in fiscal 2014. This was due to a payment made for asbestos removal. In fiscal 2014 the District applied for SBRC modified allowable growth for the removal of asbestos in the building. In order for this to be approved the District must make these payments from the General Fund.

The District's Management Fund balance changed from \$275,418 in fiscal 2013 to \$187,665 in fiscal 2014. This was due to a decrease in local revenue sources.

The District's Capital Projects Fund balance changed from \$2,784,996 in fiscal 2013 to \$2,489,362 in fiscal 2014 due to the construction projects.

Budgetary Highlights

It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

Capital Asset and Debt Administration

Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014	2013	2014	2013	2014	2013	2013-2014
Land	\$ 321	171	-	-	321	171	87.7%
Construction in progress	6,655	1,248	-	-	6,655	1,248	433.3%
Buildings	1,114	1,209	-	-	1,114	1,209	-7.9%
Improvements other than buildings	65	72	-	-	65	72	-9.7%
Furniture and equipment	124	201	51	62	175	263	-33.5%
Totals	\$ 8,279	2,901	51	62	8,330	2,963	181.1%

By the end of fiscal year 2014, the District had invested \$8,330,000, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment.

Long-term Debt

Figure A-5
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Change
	June 30,		June 30,
	2014	2013	2013-2014
General obligation bonds	\$ 6,050	6,325	-4.3%
Revenue bonds	2,100	2,100	0.0%
Bond premiums	107	113	-5.3%
Bond discounts	(82)	(87)	-5.7%
Early retirement	170	271	-37.3%
Other postemployment benefits	94	121	-22.3%
Totals	\$ 8,439	8,843	-4.6%

At year-end, the District had \$6,050,000 in general obligation bond debt, \$2,100,000 in sales tax revenue bond debt and \$289,000 in other long-term outstanding debt. This represents a decrease from last year. All areas of long-term liabilities decreased.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums
- Employee salaries & benefits
- Budget concerns at the State level
- Enrollment

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dave Versteeg, Superintendent, Montezuma School District, 504 North 4th Street, PO Box 580, Montezuma, Iowa, 50171.

Basic Financial Statements

Montezuma Community School District
Statement of Net Position
June 30, 2014

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,754,353	15,596	4,769,949
Receivables:			
Property tax:			
Delinquent	23,287	-	23,287
Succeeding year	2,762,390	-	2,762,390
Accounts	2,845	-	2,845
Income surtax	265,859	-	265,859
Due from other governments	167,759	-	167,759
Due from other funds	30,000	-	30,000
Inventories	-	6,116	6,116
Capital assets, net of accumulated depreciation	8,279,128	51,492	8,330,620
Total assets	16,285,621	73,204	16,358,825
Liabilities			
Accounts payable	515,361	-	515,361
Salaries and benefits payable	475,108	11,627	486,735
Accrued interest payable	35,764	-	35,764
Advances from prepaid lunches	-	3,876	3,876
Advances for premiums	1,239	-	1,239
Due to other funds	-	30,000	30,000
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	280,000	-	280,000
Revenue bonds	100,000	-	100,000
Early retirement	55,200	-	55,200
Portion due after one year:			
General obligation bonds	5,791,159	-	5,791,159
Revenue bonds	2,003,774	-	2,003,774
Early retirement	114,400	-	114,400
Net OPEB liability	94,347	3,452	97,799
Total liabilities	9,466,352	48,955	9,515,307
Deferred Inflows of Resources			
Unavailable property tax revenue	2,762,390	-	2,762,390
Income surtax	265,859	-	265,859
	3,028,249	-	3,028,249
Net Position			
Net investment in capital assets	2,076,772	51,492	2,128,264
Restricted for:			
Categorical funding	68,717	-	68,717
Debt service	417,295	-	417,295
Management levy purposes	18,065	-	18,065
Student activities	135,370	-	135,370
Physical plant and equipment levy	24,241	-	24,241
Capital projects	357,935	-	357,935
Unrestricted	692,625	(27,243)	665,382
Total net position	\$ 3,791,020	24,249	3,815,269

See notes to financial statements.

Montezuma Community School District
Statement of Activities
Year ended June 30, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,478,693	119,721	441,161	(1,917,811)	-	(1,917,811)
Special instruction	684,123	39,759	486,925	(157,439)	-	(157,439)
Other instruction	1,127,915	218,198	9,559	(900,158)	-	(900,158)
	<u>4,290,731</u>	<u>377,678</u>	<u>937,645</u>	<u>(2,975,408)</u>	<u>-</u>	<u>(2,975,408)</u>
Support Services:						
Student	20,485	-	-	(20,485)	-	(20,485)
Instructional staff	90,410	-	-	(90,410)	-	(90,410)
Administration	623,160	-	-	(623,160)	-	(623,160)
Operating and maintenance of plant	711,967	-	-	(711,967)	-	(711,967)
Transportation	258,112	-	-	(258,112)	-	(258,112)
	<u>1,704,134</u>	<u>-</u>	<u>-</u>	<u>(1,704,134)</u>	<u>-</u>	<u>(1,704,134)</u>
Other expenditures:						
Facilities acquisition	533,838	-	-	(533,838)	-	(533,838)
Long-term debt interest	189,902	-	-	(189,902)	-	(189,902)
AEA flowthrough	213,427	-	213,427	-	-	-
Depreciation (unallocated)*	103,392	-	-	(103,392)	-	(103,392)
	<u>1,040,559</u>	<u>-</u>	<u>213,427</u>	<u>(827,132)</u>	<u>-</u>	<u>(827,132)</u>
Total governmental activities	7,035,424	377,678	1,151,072	(5,506,674)	-	(5,506,674)
Business type activities:						
Non-instructional programs:						
Food service operations	333,999	163,622	119,922	-	(50,455)	(50,455)
	<u>333,999</u>	<u>163,622</u>	<u>119,922</u>	<u>-</u>	<u>(50,455)</u>	<u>(50,455)</u>
Total primary government	<u>\$ 7,369,423</u>	<u>541,300</u>	<u>1,270,994</u>	<u>(5,506,674)</u>	<u>(50,455)</u>	<u>(5,557,129)</u>

Exhibit B

Montezuma Community School District
Statement of Activities
Year ended June 30, 2014

	Program Revenues			Net (Expense) Revenue & Changes in Net Position		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Totals continued from previous pages	\$ 7,369,423	541,300	1,270,994	(5,506,674)	(50,455)	(5,557,129)
General Revenues:						
Property tax levied for:						
General purposes				2,517,197	-	2,517,197
Debt service				418,474	-	418,474
Capital outlay				85,069	-	85,069
Statewide sales, services and use tax				462,194	-	462,194
Unrestricted state grants				1,409,905	-	1,409,905
Unrestricted investment earnings				33,655	7	33,662
Other				44,249	-	44,249
Contributions not restricted to specific programs				53,970	-	53,970
Total general revenues				5,024,713	7	5,024,720
Change in net position				(481,961)	(50,448)	(532,409)
Net position beginning of year, as restated				4,272,981	74,697	4,347,678
Net position end of year				\$ 3,791,020	24,249	3,815,269

* This amount excludes the depreciation/amortization included in the direct expenses of the various programs.

See notes to financial statements.

Exhibit C

Montezuma Community School District
Balance Sheet
Governmental Funds
June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Assets					
Cash and pooled investments	\$ 1,374,451	290,617	2,754,206	335,079	4,754,353
Receivables:					
Property tax:					
Delinquent	17,891	3,592	730	1,074	23,287
Succeeding year	2,133,941	417,613	85,836	125,000	2,762,390
Income surtax	265,859	-	-	-	265,859
Accounts	2,845	-	-	-	2,845
Due from other funds	30,000	-	-	-	30,000
Due from other governments	73,555	-	94,204	-	167,759
Total assets	\$ 3,898,542	711,822	2,934,976	461,153	8,006,493
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 167,945	-	335,537	11,879	515,361
Salaries and benefits payable	475,108	-	-	-	475,108
Advances for premiums	-	-	-	1,239	1,239
Total liabilities	643,053	-	335,537	13,118	991,708
Deferred inflows of resources:					
Unavailable resources:					
Succeeding year property tax	2,133,941	417,613	85,836	125,000	2,762,390
Income surtax	265,859	-	-	-	265,859
Total deferred inflow of resources	2,399,800	417,613	85,836	125,000	3,028,249
Fund balances:					
Restricted for:					
Categorical funding	68,717	-	-	-	68,717
Debt service	-	294,209	158,850	-	453,059
Management levy purposes	-	-	-	187,665	187,665
Student activities	-	-	-	135,370	135,370
School infrastructure	-	-	2,330,512	-	2,330,512
Physical plant and equipment	-	-	24,241	-	24,241
Unassigned	786,972	-	-	-	786,972
Total fund balances	855,689	294,209	2,513,603	323,035	3,986,536
Total liabilities, deferred inflows of resources and fund balances	\$ 3,898,542	711,822	2,934,976	461,153	8,006,493

See notes to financial statements.

Exhibit D

**Montezuma Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2014**

Total fund balances of governmental funds (Exhibit C)	\$ 3,986,536
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***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

Land	\$ 320,973	
Construction in progress	6,655,236	
Buildings, net	1,114,294	
Improvements, net	64,106	
Equipment, net	124,519	8,279,128

Long-term liabilities, including bonds payable, bond issuance costs, accrued interest, early retirement, and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities at year-end consist of:

General obligation bonds payable	(6,050,000)	
Revenue bonds payable	(2,100,000)	
Bond discounts, net	82,150	
Bond premiums, net	(107,083)	
Accrued interest	(35,764)	
Early retirement	(169,600)	
Net OPEB liability	(94,347)	(8,474,644)

Net position of governmental activities (Exhibit A)	\$ 3,791,020
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See notes to financial statements.

Exhibit E

Montezuma Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2014

	General	Debt Service	Capital Projects	Non-major	Total
Revenues:					
Local sources:					
Local tax	\$ 2,392,091	418,474	85,069	125,106	3,020,740
Tuition	141,144	-	-	-	141,144
Other	67,432	49	38,934	261,992	368,407
State sources	2,361,229	-	462,194	-	2,823,423
Federal sources	199,749	-	-	-	199,749
Total revenues	5,161,645	418,523	586,197	387,098	6,553,463
Expenditures:					
Current:					
Instruction:					
Regular	2,350,678	-	118,164	135,153	2,603,995
Special	684,123	-	-	-	684,123
Other	860,401	-	-	252,838	1,113,239
	3,895,202	-	118,164	387,991	4,401,357
Support services:					
Student	20,485	-	-	-	20,485
Instructional staff	90,410	-	-	-	90,410
Administration	619,074	-	3,080	1,006	623,160
Operation and maintenance of plant	585,749	-	39,014	73,333	698,096
Transportation	186,743	-	7,998	6,884	201,625
	1,502,461	-	50,092	81,223	1,633,776
Other expenditures:					
Facilities acquisition	-	-	6,102,803	-	6,102,803
Long-term debt:					
Principal	-	275,000	-	-	275,000
Interest and fiscal charges	-	183,675	-	-	183,675
AEA flowthrough	213,427	-	-	-	213,427
	213,427	458,675	6,102,803	-	6,774,905
Total expenditures	5,611,090	458,675	6,271,059	469,214	12,810,038
(Deficiency) of revenues (under) expenditures	(449,445)	(40,152)	(5,684,862)	(82,116)	(6,256,575)
Other financing sources (uses):					
Operating transfers in	-	314,073	285,075	-	599,148
Operating transfers out	-	-	(599,148)	-	(599,148)
Total other financing sources (uses)	-	314,073	(314,073)	-	-
Net change in fund balances	(449,445)	273,921	(5,998,935)	(82,116)	(6,256,575)
Fund balances beginning of year, as restated	1,305,134	20,288	8,512,538	405,151	10,243,111
Fund balances end of year	\$ 855,689	294,209	2,513,603	323,035	3,986,536

See notes to financial statements.

Exhibit F

Montezuma Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2014

Net change in fund balances - total governmental funds (Exhibit E) **\$ (6,256,575)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$	5,568,965	
Depreciation expense		(191,003)	5,377,962

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net **Position**.

GO bonds repaid	275,000		
Amortization of bond premiums		6,335	
Amortization of bond discounts		(4,908)	276,427

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (7,655)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Other postemployment benefits	26,241		
Early retirement		101,639	127,880

Change in net position of governmental activities (Exhibit B) **\$ (481,961)**

See notes to financial statements.

Exhibit G

Montezuma Community School District
Statement of Net Position
Proprietary Fund
June 30, 2014

	School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 15,596
Inventories	6,116
Total current assets	<u>21,712</u>
Non-current assets:	
Property and equipment:	
Machinery and equipment	175,592
Accumulated depreciation	<u>(124,100)</u>
Total non-current assets	<u>51,492</u>
Total assets	<u><u>73,204</u></u>
Liabilities	
Current liabilities:	
Salaries and benefits payable	11,627
Advances from prepaid lunches	3,876
Due to other funds	<u>30,000</u>
Total current liabilities	<u>45,503</u>
Non-current liabilities:	
Net OPEB liability	<u>3,452</u>
Total non-current liabilities	<u>3,452</u>
Total liabilities	<u><u>48,955</u></u>
Net Position	
Net Investment in capital assets	51,492
Unrestricted	<u>(27,243)</u>
Total net position	<u><u>\$ 24,249</u></u>

See notes to financial statements.

Exhibit H

Montezuma Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Operating revenue:	
Local sources:	
Charges for services	\$ 163,622
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	102,426
Benefits	41,878
Supplies	179,313
Depreciation	10,382
Total operating expenses	333,999
Operating loss	(170,377)
Non-operating revenue:	
Interest income	7
State sources	2,124
Federal sources	117,798
Total non-operating revenue	119,929
Change in net position	(50,448)
Net position beginning of year	74,697
Net position end of year	\$ 24,249

See notes to financial statements.

Exhibit I

Montezuma Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2014

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 163,621
Cash payments to employees for services	(145,112)
Cash payments to suppliers for goods or services	(163,293)
Net cash used by operating activities	(144,784)
Cash flows from non-capital financing activities:	
State grants received	2,124
Federal grants received	104,064
Proceeds from other funds	30,000
Net cash provided by non-capital financing activities	136,188
Cash flows from investing activities:	
Interest on investments	7
Net decrease in cash and cash equivalents	(8,589)
Cash and cash equivalents at beginning of year	24,185
Cash and cash equivalents at end of year	\$ 15,596
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (170,377)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	13,734
Depreciation	10,382
Decrease in inventories	2,286
Decrease in accounts receivable	-
Decrease in due from other governments	-
Increase in accounts payable	-
Increase in salaries and benefits payable	152
(Decrease) in deferred revenue	(1)
(Decrease) in other postemployment benefits	(960)
Net cash used by operating activities	\$ (144,784)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	\$ 15,596
Cash and cash equivalents at year end	\$ 15,596

Non-cash investing, capital and financing activities:

During the year ended June 30, 2014, the District received \$13,734 of federal commodities.

See notes to financial statements.

Montezuma Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Cash and pooled investments	\$ 27,667	1,149
Total assets	<u>\$ 27,667</u>	<u>1,149</u>
Liabilities		
Due to other groups	\$ -	1,149
Total Liabilities	<u>\$ -</u>	<u>1,149</u>
Net position		
Reserved for scholarships	<u>\$ 27,667</u>	<u>-</u>

See notes to financial statements.

Montezuma Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2014

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Gifts and contributions	\$ 22,280
Interest on investments	11
Total additions	<u>22,291</u>
Deductions:	
Instruction:	
Regular:	
Supplies	3,144
Scholarships awarded	<u>5,300</u>
	8,444
Change in net position	13,847
Net position beginning of year	<u>13,820</u>
Net position end of year	<u><u>\$ 27,667</u></u>

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Montezuma Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the city of Montezuma, Iowa and the predominate agricultural territory in a portion Poweshiek county. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Montezuma Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Montezuma Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Poweshiek County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The District reports the following major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 years
Improvements other than buildings	15 years
Furniture and equipment	5-12 years
Intangibles	5-12 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances – Proceeds received by the District for which services will be rendered in the succeeding fiscal year, such as prepaid lunch money.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflows of Resources - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding property tax receivable that will not be recognized as revenue until the year for which it is levied.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, expenditures did exceed the amounts budgeted in the instructional and support services functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$3,989,931 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables for the year ended June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nutrition	\$ 30,000

The balance is to be repaid by June 30, 2015.

(4) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects-Statewide Sales, Services and Use Tax	\$ 314,073
Capital Projects - Other Capital Projects	Capital Projects-Statewide Sales, Services and Use Tax	285,075

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 170,973	150,000	-	320,973
Construction in progress	1,247,610	5,407,626	-	6,655,236
Total capital assets not being depreciated	1,418,583	5,557,626	-	6,976,209
Capital assets being depreciated:				
Buildings	4,075,068	-	-	4,075,068
Improvements other than buildings	193,583	-	-	193,583
Furniture and equipment	1,040,744	11,339	-	1,052,083
Total capital assets being depreciated	5,309,395	11,339	-	5,320,734
Less accumulated depreciation for:				
Buildings	2,865,626	95,148	-	2,960,774
Improvements other than buildings	121,233	8,244	-	129,477
Furniture and equipment	839,953	87,611	-	927,564
Total accumulated depreciation	3,826,812	191,003	-	4,017,815
Total capital assets being depreciated, net	1,482,583	(179,664)	-	1,302,919
Governmental activities capital assets, net	\$ 2,901,166	5,377,962	-	8,279,128
Business type activities:				
Furniture and equipment	\$ 175,592	-	-	175,592
Less accumulated depreciation	113,718	10,382	-	124,100
Business type activities capital assets, net	\$ 61,874	(10,382)	-	51,492

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular	\$ 2,577
Special	-
Other	14,676

Support services:

Student services	-
Instructional staff	-
Administration	-
Operation and maintenance of plant	13,871
Transportation	56,487

Unallocated

Total governmental activities depreciation expense	\$ 191,003
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Business type activities:

Food services	\$ 10,382
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(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2014 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 6,325,000	-	275,000	6,050,000	280,000
Bond premiums	76,322	-	4,017	72,305	4,017
Bond discounts	(53,987)	-	(2,841)	(51,146)	2,841
Revenue bonds	2,100,000	-	-	2,100,000	100,000
Bond premiums	37,096	-	2,318	34,778	2,319
Bond discounts	(33,071)	-	(2,067)	(31,004)	2,067
Early retirement	271,239	55,200	156,839	169,600	55,200
Net OPEB liability	120,588	-	26,241	94,347	-
Total	\$ 8,843,187	55,200	459,507	8,438,880	446,444

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Business type activities:					
Net OPEB liability	\$ 4,412	-	960	3,452	-

General Obligation Bonds

Details of the District's June 30, 2014 general obligation bonded indebtedness are as follows:

Bond Issue of July 1, 2012				
Year ending June 30,	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 280,000	137,113	417,113
2016	2.00%	285,000	131,512	416,512
2017	2.00%	290,000	125,813	415,813
2018	2.00%	300,000	120,012	420,012
2019	2.00%	305,000	114,013	419,013
2020	2.00%	310,000	107,912	417,912
2021	2.00%	315,000	101,713	416,713
2022	2.00%	325,000	95,412	420,412
2023	2.00%	330,000	88,913	418,913
2024	2.00%	335,000	82,312	417,312
2025	2.25%	340,000	75,613	415,613
2026	2.25%	350,000	67,962	417,962
2027	2.50%	360,000	60,088	420,088
2028	2.50%	365,000	51,087	416,087
2029	2.50%	375,000	41,963	416,963
2030	2.75%	385,000	32,587	417,587
2031	2.75%	395,000	22,000	417,000
2032	2.75%	405,000	11,138	416,138
Total		\$ 6,050,000	1,467,163	7,517,163

Revenue Bonds

Details of the Districts' June 30, 2014 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year ending June 30,	Bond Issue of March 1, 2013			
	Interest Rates	Principal	Interest	Total
2015	2.00%	\$ 100,000	47,675	147,675
2016	2.00%	110,000	45,575	155,575
2017	2.00%	110,000	43,375	153,375
2018	2.00%	115,000	41,125	156,125
2019	2.00%	115,000	38,825	153,825
2020	2.00%	115,000	36,525	151,525
2021	2.00%	120,000	34,175	154,175
2022	2.00%	120,000	31,775	151,775
2023	2.00%	125,000	29,325	154,325
2024	2.50%	130,000	26,775	156,775
2025	2.50%	130,000	23,850	153,850
2026	2.50%	135,000	20,538	155,538
2027	2.50%	140,000	17,100	157,100
2028	3.00%	140,000	13,600	153,600
2029	3.00%	145,000	9,675	154,675
2030	3.00%	250,000	5,250	255,250
Total		\$ 2,100,000	465,163	2,565,163

The District has pledged future statewide sales, services and use tax revenues for the purpose of construction. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$2,565,163. For the current year, no principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$462,194.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- \$158,850 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District complied with all of the provisions during the year ended June 30, 2014.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$295,237, \$277,711, and \$239,452, respectively, equal to the required contributions for each year.

(8) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for employees and retirees and their spouses. There are 72 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual OPEB cost	\$	102,000
Interest on net OPEB obligation		5,625
Adjustment to annual required contribution		(4,826)
Annual OPEB cost		102,799
Contributions made		(130,000)
(Decrease) in net OPEB obligation		(27,201)
Net OPEB obligation beginning of year		125,000
Net OPEB obligation end of year	\$	<u>97,799</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$130,000 to the medical plan. Plan members eligible for benefits were not required to contribute.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 126,000	57.90%	\$ 53,000
June 30, 2011	126,344	67.30%	94,344
June 30, 2012	126,612	64.80%	138,956
June 30, 2013	103,000	113.55%	125,000
June 30, 2014	102,000	127.45%	97,799

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$1,010,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,010,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$3,320,796, and the ratio of the UAAL to covered payroll was 30.4%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Termination Benefits

The District offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least 10 years of continuous service to the District and must have reached the age of fifty-five on or before June 30, 2014. The application for early retirement was subject to approval by the Board of Education.

The employee shall receive a benefit of \$400 per month for health insurance until reaching age 65 and a onetime lump sum payment based on the difference between the employee's annual contract salary in effect at the date of retirement and the amount of Step 4, BA lane of the Schedule 1 Salary Schedule in the Master Contract for the year the employee's retirement become effective. At June 30, 2014, the District had obligations to 13 participants with a total liability of \$169,600.

(10) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$213,427 for the year ended June 30, 2014 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Restatement

Beginning net position in the Governmental Activities was restated by \$9,493. This is the balance of bond issuance costs now required to be expensed instead of amortized. Beginning fund balance in the Statewide Sales, Services and Use Tax fund was restated by \$13,578. This increase is due to an understatement of amounts due from other governments in prior years.

(13) Construction Commitment

The District has entered into a contract totaling \$7,294,972 for a major remodeling project. As of June 30, 2014, costs of \$6,655,236 had been incurred against the contract. The balance of \$639,736 remaining at June 30, 2014, will be paid as work on the project progresses.

(14) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

Required Supplementary Information

Montezuma Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance- Positive (Negative)
Revenues:					
Local sources	\$ 3,530,291	163,629	3,693,920	4,145,487	(451,567)
State sources	2,823,423	2,124	2,825,547	2,311,491	514,056
Federal sources	199,749	117,798	317,547	297,000	20,547
Total revenues	6,553,463	283,551	6,837,014	6,753,978	83,036
Expenditures:					
Instruction	4,401,357	-	4,401,357	4,385,000	(16,357)
Support services	1,633,776	-	1,633,776	1,539,500	(94,276)
Non-instructional programs	-	333,999	333,999	340,000	6,001
Other expenditures	6,774,905	-	6,774,905	7,187,578	412,673
Total expenditures	12,810,038	333,999	13,144,037	13,452,078	308,041
(Deficiency) of revenues (under) expenditures	(6,256,575)	(50,448)	(6,307,023)	(6,698,100)	391,077
Other financing sources, net	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures	(6,256,575)	(50,448)	(6,307,023)	(6,698,100)	391,077
Balances beginning of year, as restated	10,243,111	74,697	10,317,808	9,723,169	594,639
Balances end of year	\$ 3,986,536	24,249	4,010,785	3,025,069	985,716

See accompanying independent auditor's report.

Montezuma Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year ended June 30, 2014

(1) Basis of Presentation

The District operates within the budget requirements for school districts as specified by state law and as prescribed by the Iowa Department of Management. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

For the fiscal year beginning July 1, a proposed budget is adopted by the Board and filed with the County Auditor no later than April 15. The budget is certified by the County Auditor to the Department of Management.

Once adopted, the budget can be amended by the Board. The amendment must be published and a public hearing conducted prior to the amendment. Any amendments must be certified to the County Auditor no later than May 31. The proposed expenditure budget is advertised in the local newspaper, together with a notice of public hearing.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the functional area for a budgeted governmental, enterprise and private purpose trust funds in total, rather than by individual fund type. Formal and legal budgetary control is based on four major classes of expenditures known as functional areas. These four functional areas are instruction, support services, non-instructional programs and other expenditures. During the year ended June 30, 2014, the District over-expended the instructional functional area by \$16,357 and the support services functional area by \$94,276. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. Authorized expenditures cannot exceed the lesser of the certified budget plus any allowable amendments, or the authorized budget, which is the sum of the District's cost for that year plus the actual miscellaneous income received for that year plus the actual unspent balance from the preceding year. Appropriations, as adopted and amended, lapse at the end of the fiscal year.

The District is required by the Code of Iowa to budget for its share of media, education services and special education support provided through the local area education agency. The District's actual amount for this purpose totaled \$213,427 for the year ended June 30, 2014.

Montezuma Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	831,000	831,000	0.0%	2,455,000	33.8%
2011	July 1, 2009	-	831,000	831,000	0.0%	2,611,000	31.8%
2012	July 1, 2009	-	831,000	831,000	0.0%	2,626,000	31.6%
2013	July 1, 2012	-	1,010,000	1,010,000	0.0%	3,207,000	31.5%
2014	July 1, 2012	-	1,010,000	1,010,000	0.0%	3,320,796	30.4%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Montezuma Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2014

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 187,830	147,249	335,079
Receivables:			
Property tax:			
Delinquent	1,074	-	1,074
Succeeding year	125,000	-	125,000
Total assets	\$ 313,904	147,249	461,153
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	11,879	11,879
Advances for premiums	1,239	-	1,239
Total liabilities	1,239	11,879	13,118
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	125,000	-	125,000
Total deferred inflows of resources	125,000	-	125,000
Fund balances:			
Restricted for:			
Management levy purposes	187,665	-	187,665
Student activities	-	135,370	135,370
Total fund balances	187,665	135,370	323,035
Total liabilities, deferred inflows of resources and fund balances	\$ 313,904	147,249	461,153

See accompanying independent auditor's report.

Schedule 2

Montezuma Community School District**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances****Non-Major Governmental Funds****Year ended June 30, 2014**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 125,106	-	125,106
Other	3,517	258,475	261,992
Total revenues	128,623	258,475	387,098
Expenditures:			
Current:			
Instruction:			
Regular	135,153	-	135,153
Other	-	252,838	252,838
Support Services:			
Administration	1,006	-	1,006
Operation and maintenance of plant	73,333	-	73,333
Transportation	6,884	-	6,884
Total expenditures	216,376	252,838	469,214
Excess (deficiency) of revenues over (under) expenditures	(87,753)	5,637	(82,116)
Fund balances beginning of year	275,418	129,733	405,151
Fund balances end of year	\$ 187,665	135,370	323,035

See accompanying independent auditor's report.

Schedule 3

Montezuma Community School District
Schedule of Changes in Special Revenue Funds, Student Activity Accounts
Year ended June 30, 2014

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
JH Heritage Trip	\$ 1,585	100	-	1,685
Speech and Drama	7,382	3,045	3,686	6,741
Winterguard	333	4,118	3,868	583
Instrumental Music	917	-	99	818
Vocal Music	3,156	-	595	2,561
Band Uniforms	3,614	250	1,935	1,929
Track	-	2,149	1,773	376
Weightroom	-	1,156	1,156	-
Athletics	5,162	46,739	45,887	6,014
Football	4,575	22,842	20,677	6,740
District 6 Football	532	420	936	16
Baseball	-	2,327	2,327	-
Golf	149	-	-	149
Boy's Basketball	2,147	4,365	6,513	(1)
Girl's Basketball	1,442	10,108	5,339	6,211
Volleyball	1,779	6,744	7,444	1,079
Softball	1,531	2,640	2,365	1,806
Wrestling	4,031	480	2,613	1,898
Math Club	864	153	100	917
Academic Fair	197	-	-	197
Torch Club	624	-	-	624
FFA	30,442	71,270	76,612	25,100
JH Student Council	1,627	142	167	1,602
Class of 2013	726	14	740	-
Class of 2014	3,412	211	1,553	2,070
HS Student Council	1,395	1,194	1,486	1,103
Football Cheerleaders	168	6,291	4,977	1,482
Competition Cheer	237	-	-	237
Basketball Cheerleaders	-	1,612	656	956
Class of 2015	404	5,940	5,000	1,344
Class of 2016	-	296	-	296
Class of 2017	53	-	35	18
School Clay Target Shooting Club	5,921	23,984	16,598	13,307
Spanish Club	16,267	23,154	23,909	15,512
Yearbook	19,259	9,753	7,318	21,694
Elementary Activities	9,518	3,178	2,390	10,306
HS Activities	284	3,800	4,084	-
Totals	\$ 129,733	258,475	252,838	135,370

See accompanying independent auditor's report.

Schedule 4

Montezuma Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 2,396,407	304,565	53,234	2,754,206
Receivables:				
Property tax:				
Delinquent	-	-	730	730
Succeeding year	-	-	85,836	85,836
Due from other governments	94,204	-	-	94,204
Total assets	\$ 2,490,611	304,565	139,800	2,934,976
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,249	304,565	29,723	335,537
Total liabilities	1,249	304,565	29,723	335,537
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	-	-	85,836	85,836
Total deferred inflows of resources	-	-	85,836	85,836
Fund balances:				
Restricted for:				
Debt service	158,850	-	-	158,850
School infrastructure	2,330,512	-	-	2,330,512
Physical plant and equipment	-	-	24,241	24,241
Total fund balances	2,489,362	-	24,241	2,513,603
Total liabilities, deferred inflows of resources and fund balances	\$ 2,490,611	304,565	139,800	2,934,976

See accompanying independent auditor's report.

Schedule 5

Montezuma Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2014

	Capital Projects			
	Statewide Sales, Services and Use Tax	Other Capital Projects	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ -	-	85,069	85,069
Other	2,120	30,805	6,009	38,934
State sources	462,194	-	-	462,194
Total revenues	464,314	30,805	91,078	586,197
Expenditures:				
Instruction				
Regular	1,249	-	116,915	118,164
Support services:				
Administration	2,025	1,055	-	3,080
Operation and maintenance of plant	-	-	39,014	39,014
Student transportation	-	-	7,998	7,998
Other expenditures:				
Facilities acquisition	157,526	5,879,235	66,042	6,102,803
Total expenditures	160,800	5,880,290	229,969	6,271,059
Excess (deficiency) of revenues over (under) expenditures	303,514	(5,849,485)	(138,891)	(5,684,862)
Other financing sources (uses)				
Operating transfers in	-	285,075	-	285,075
Operating transfers out	(599,148)	-	-	(599,148)
Total other financing sources (uses)	(599,148)	285,075	-	(314,073)
Change in fund balances	(295,634)	(5,564,410)	(138,891)	(5,998,935)
Fund balances beginning of year, as restated	2,784,996	5,564,410	163,132	8,512,538
Fund balances end of year	\$ 2,489,362	-	24,241	2,513,603

See accompanying independent auditor's report.

Montezuma Community School District
Combining Statement of Fiduciary Net Position
Private Purpose Trust - Scholarship Funds
June 30, 2014

	Private Purpose Trust - Scholarship Funds			
	Miscellaneous Scholarship	Ellis Scholarship	Elementary Playground	Total
Assets				
Cash and pooled investments	\$ 1,489	4,238	21,940	27,667
Total assets	\$ 1,489	4,238	21,940	27,667
Liabilities				
Liabilities:				
Due to other groups	\$ -	-	-	-
Total liabilities	-	-	-	-
Net position				
Reserved for scholarships	\$ 1,489	4,238	21,940	27,667

See accompanying independent auditor's report.

Montezuma Community School District
Combining Statement of Changes in Fiduciary Net Position
Private Purpose Trust - Scholarship Funds
Year ended June 30, 2014

	Private Purpose Trust - Scholarship Funds					Total
	Miscellaneous Scholarship	Ellis Scholarship	Elementary Playground	Math Fair	FFA Scholarship	
Additions:						
Gifts and contributions	\$ 1,500	-	18,680	100	2,000	22,280
Interest on investments	11	-	-	-	-	11
Total additions	1,511	-	18,680	100	2,000	22,291
Deductions:						
Instruction:						
Supplies	-	-	3,144	-	-	3,144
Scholarships awarded	1,700	1,500	-	100	2,000	5,300
Total deductions	1,700	1,500	3,144	100	2,000	8,444
Change in net position	(189)	(1,500)	15,536	-	-	13,847
Net position beginning of year	1,678	5,738	6,404	-	-	13,820
Net position end of year	\$ 1,489	4,238	21,940	-	-	27,667

See accompanying independent auditor's report.

Montezuma Community School District
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
Year ended June 30, 2014

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash	\$ 1,624	90	565	1,149
Total assets	\$ 1,624	90	565	1,149
Liabilities				
Accounts payable	\$ 1,624	90	565	1,149
Total liabilities	\$ 1,624	90	565	1,149

See accompanying independent auditor's report.

Montezuma Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues:										
Local sources:										
Local tax	\$ 3,020,740	3,350,390	3,284,422	3,110,907	2,908,824	2,677,068	2,499,083	2,585,499	2,370,528	2,467,051
Tuition	141,144	233,619	254,964	205,759	175,571	349,736	362,711	378,226	300,238	356,290
Other	368,407	463,142	364,944	354,582	318,265	359,801	351,247	451,429	416,211	272,098
Intermediate sources	-	-	-	-	-	-	-	-	-	4,961
State sources	2,823,423	2,343,795	2,054,670	2,399,102	1,863,160	2,043,153	2,320,267	2,157,497	2,147,777	2,130,751
Federal sources	199,749	265,212	211,088	327,849	509,461	138,657	118,463	148,140	143,666	132,406
Total	\$ 6,553,463	6,656,158	6,170,088	6,398,199	5,775,281	5,568,415	5,651,771	5,720,791	5,378,420	5,363,557
Expenditures:										
Instruction:										
Regular	\$ 2,603,995	2,580,158	2,587,841	2,447,007	2,535,325	2,425,972	2,203,299	2,121,232	2,144,063	1,939,282
Special	684,123	524,886	562,669	553,318	713,520	696,045	566,180	651,536	756,251	817,580
Other	1,113,239	1,144,086	948,856	971,977	629,225	573,556	814,922	783,579	573,994	579,420
Support services:										
Student	20,485	20,554	15,489	29,747	16,747	16,852	6,546	26,394	31,655	61,655
Instructional staff	90,410	88,392	80,319	97,998	127,684	141,070	117,671	134,386	97,900	127,590
Administration	623,160	634,570	588,902	579,320	526,741	506,252	512,779	558,228	455,873	522,741
Operation and maintenance of plant	698,096	536,125	419,880	363,509	340,675	505,780	359,518	367,355	375,074	293,112
Transportation	201,625	194,584	216,875	209,571	275,611	187,366	305,327	199,974	220,386	156,137
Non-instructional programs	-	-	-	-	-	-	-	400	-	-
Other expenditures:										
Facilities acquisition	6,102,803	1,352,199	441,772	461,106	314,586	301,374	217,052	216,474	243,510	127,630
Long-term debt:										
Principal	275,000	345,000	-	-	-	-	11,239	10,802	57,126	213,784
Interest and other charges	183,675	147,546	-	-	-	-	455	893	2,218	6,922
AEA flowthrough	213,427	206,971	208,432	227,938	223,493	175,942	173,783	166,591	162,058	158,921
Total	\$ 12,810,038	7,775,071	6,071,035	5,941,491	5,703,607	5,530,209	5,288,771	5,237,844	5,120,108	5,004,774

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of Montezuma Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Montezuma Community School District, Montezuma, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Montezuma Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Montezuma Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Montezuma Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item (A) to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montezuma Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part II of the Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Montezuma Community School District's Responses to Findings

Montezuma Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Montezuma Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of the testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Montezuma Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 17, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

- A. Segregation of Duties – The limited number of office personnel prevents a proper segregation of accounting functions necessary to assure adequate internal control. This is not unusual in school Districts of your size, but the Board should constantly be aware of this condition and realize that concentration of duties and responsibilities in a limited number of individuals is not desirable from a control point of view. Under these conditions, the most effective controls lie in the Board's knowledge of matters relating to the District's operations.
- (2014-001)

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to investigate alternatives to this problem.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2014, exceeded the certified budget amounts in the instructional and support services functional area.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.
2. Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions – No business transactions were noted between the District and District officials or employees.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
6. Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
7. Certified Enrollment – A variance in the basic enrollment data certified to the Department of Education was noted.

Recommendation - The certified enrollment data should be corrected for students who exit the District.

Response - We will correct the certified enrollment in the future for students exiting the system.

Conclusion - Response accepted.

Montezuma Community School District
Schedule of Findings
Year ended June 30, 2014

8. Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
11. Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance, as restated		\$	2,784,996
Revenues/transfers in:			
Sales tax revenues	\$	462,194	
Other local revenues		2,120	464,314
			<hr/> 3,249,310
Expenditures/transfers out:			
School infrastructure construction		157,526	
Instruction		1,249	
Support services		2,025	
Transfers to other funds:			
Debt service funds		599,148	759,948
			<hr/>
Ending balance		\$	<u><u>2,489,362</u></u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.